

2015 BONUS FACTSHEET.

Incorporating the Principles and Practices of Financial Management (PPFM)
Data Annex for the 18 February 2016 bonus declaration.

This document contains data regarding the With Profits Sub Fund and the facts and figures for the bonus declaration on 18 February 2016.

▶ INVESTMENT MARKETS – A REVIEW OF THE LAST YEAR.

The following review of how the financial markets performed in 2015 has been provided to us by Legal & General Investment Management (LGIM). It covers the period 1 January to 31 December 2015 and does not reflect changes in market conditions since this date.

OVERVIEW

Data on major world economies like the US, UK, Continental Europe and Japan showed that economies grew at very different speeds during 2015. While the US and UK remained relatively robust, Japan and some parts of Europe struggled to show any meaningful growth. The US economy continued to grow steadily, despite fluctuations in quarterly data. The UK economy also performed well, with particular strength in the services sector. In both economies, central banks signalled a shift towards a gradual tightening of monetary policy, with the US Federal Reserve raising rates in December from historically low levels. However, both the European Central Bank and Bank of Japan continued to sanction large scale asset purchases to shore up domestic business and consumer confidence. Meanwhile, slowing Chinese growth led to disappointing economic data releases across the emerging world.

UK SHARES

The UK stock market, as represented by the FTSE All-Share Index, ended 2015 with modest gains in total return terms. UK equities struggled to make headway, and underperformed global markets, with the mining and energy sectors weighing on the market given significant falls in global commodity prices. Pharmaceutical, technology and tobacco stocks were among the best performers, with investors attracted to the potential for earnings growth in these sectors. The more domestically-orientated FTSE 250 outperformed the FTSE 100 over the period, marking the fourth successive year that the mid-cap index has posted higher returns than large-cap stocks.

OVERSEAS SHARES

European markets outperformed global equity markets and delivered positive returns over the year. Investors became more positive on the region as 2015 progressed, with concerns over a potential Greek exit from the euro zone fading. In addition, the European Central Bank remained supportive, announcing a cut in interest rates and an extension to its programme of asset purchases. Consumer staple stocks

performed particularly well, although the auto sector suffered as news surrounding Volkswagen's breach of emissions regulations surfaced.

US markets delivered positive returns over the year and outperformed global markets. Despite the low oil price resulting in significant challenges for the country's unconventional shale energy sector, robust domestic demand continued to support the US economy. In response, Federal Reserve Chair Janet Yellen decided to raise US interest rates for the first time since the global financial crisis, in what was a well-telegraphed move. Technology stocks continued to lead the market gains and consumer sectors also performed well.

Japanese equities performed strongly over the twelve-month period, delivering double-digit percentage gains and outperforming global markets. Data readings were generally disappointing, with growth weak and inflation below the Bank of Japan's target level. However, equity investors interpreted this positively, believing that weak data would result in further government stimulus measures to support the economy.

FIXED INTEREST SECURITIES

Over the past year, higher-rated government bonds such as US treasuries, UK gilts and German bunds were underpinned by demand from risk-averse investors, particularly as equity market volatility increased. Bond markets were also driven by the sharp fall in the oil price and other weak commodity markets, which pushed down inflation in the major economies. However, the low level of yields meant that total returns over the year were modest. Previously distressed southern European sovereign bond markets rallied particularly strongly, while short-term US bonds underperformed as investors anticipated the rise in US interest rates.

Corporate bonds struggled to make headway as the uncertain global economic outlook preoccupied investors. In addition, low interest rates sparked high volumes of new issuance, which in turn weighed on the corporate bond market. Credit markets were volatile in the middle of the period, with investors becoming concerned about a rising risk of defaults, before staging a recovery in the final quarter. Emerging and high yield bond markets were particularly unsettled, given their greater sensitivity to falling commodity prices.

Emerging market equities produced negative returns in 2015 and underperformed developed markets as the slowdown in China, falling commodity prices, geopolitical conflict, and the prospect of higher US interest rates unsettled investors. The markets of commodity producers such as Brazil and Russia fared the worst, while equities in countries that are net commodity importers, such as India, performed better, albeit with significant volatility.

COMMERCIAL PROPERTY

Commercial property recorded a sixth successive year of strong performance. Rental income and capital growth contributed broadly equally to overall returns. However, emphasis in the sector continued to move away from generating returns from capital values and towards delivering a recovery in leasing markets and enhancing rental income growth. Regarding the sub-sectors of the market, offices and industrial property both continued to outperform retail property. Industrial properties and offices were both key drivers of the UK IPD property Index over the year, primarily due to their greater capital growth than retail properties.

▶ WITH PROFITS FUND ASSET MIX.

At the end of each of the last five years, the asset mixes for all with profits policies that could receive bonuses were:

	2011	2012	2013	2014	2015
UK shares	21%	17%	21%	17%	17%
Overseas shares	19%	25%	27%	26%	24%
Fixed interest securities	45%	45%	40%	44%	46%
Commercial property	15%	13%	12%	13%	13%

The proportions of each type of asset we hold vary for groups of products. The next section shows the different asset mixes for different product groups.

ASSET MIXES BY PRODUCT GROUP.

The following tables show the overall asset mixes for each product group at the end of 2015. Please note, the figures shown in brackets are the asset mixes at the end of 2014.

LIFE POLICIES

PRODUCT	ASSET MIX			
	UK shares	Overseas shares	Fixed interest securities	Commercial property
CAPITAL CONTROL BONDS				
Capital Control Growth Bond (investments between March 2010 and March 2012)	17% (18%)	26% (26%)	43% (42%)	14% (14%)
Capital Control Income Bond (investments between March 2010 and March 2012)	16% (16%)	23% (24%)	48% (47%)	13% (13%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS				
Capital Protection Growth Bond (investments between May and December 2008)	19% (19%)	28% (29%)	38% (37%)	15% (15%)
Capital Protection Income Bond (investments between May and December 2008)	16% (16%)	23% (24%)	48% (47%)	13% (13%)
Capital Protection Growth Bond (investments between January 2009 and June 2010)	17% (18%)	26% (26%)	43% (42%)	14% (14%)
Capital Protection Income Bond (investments between January 2009 and June 2010)	16% (16%)	23% (24%)	48% (47%)	13% (13%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	17% (18%)	26% (26%)	43% (42%)	14% (14%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	16% (16%)	23% (24%)	48% (47%)	13% (13%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	13% (13%)	18% (19%)	59% (58%)	10% (10%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	11% (11%)	16% (17%)	64% (63%)	9% (9%)

LIFE POLICIES (CONTINUED)

PRODUCT	ASSET MIX			
	UK shares	Overseas shares	Fixed interest securities	Commercial property
OTHER WITH PROFITS BONDS				
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	17% (18%)	26% (27%)	43% (41%)	14% (14%)
<ul style="list-style-type: none"> Other Income Bonds (investments between April 2002 and December 2014) Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later) 	16% (16%)	23% (24%)	48% (47%)	13% (13%)
<ul style="list-style-type: none"> All other With Profits Growth Bonds (investments between August 1999 and December 2014) 	19% (19%)	28% (29%)	38% (37%)	15% (15%)
<ul style="list-style-type: none"> With Profits Income Bonds (March 2002 and earlier investments) 	17% (18%)	25% (26%)	45% (42%)	13% (14%)
ENDOWMENTS AND SAVINGS PLANS				
Unitised life policies including: <ul style="list-style-type: none"> Capital Investment Portfolio Flexible Investment Plan Flexible Mortgage Plan Flexible Protection Plan Unit Savings (Prospects and New Savings Plan) 	19% (19%)	28% (29%)	38% (37%)	15% (15%)
Conventional life policies including: <ul style="list-style-type: none"> Build Up Cashbuilder Endowment Low Start Build Up Progressive Build Up Plus Progressive Flexible Build Up Progressive Investment Treasure Chest Whole of Life Plan 	19% (19%)	28% (29%)	38% (37%)	15% (15%)

PENSION POLICIES

PRODUCT	ASSET MIX			
	UK shares	Overseas shares	Fixed interest securities	Commercial property
Adaptable Pension Plan with contractual annual interest (CAI)	14% (15%)	21% (22%)	54% (51%)	11% (12%)
Pension products with CAI, set up in 1994 or earlier including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Conventional Buy Out Plan • Private Income Plan (PIPE) • Trustee Investment Plan (TIP) 	14% (15%)	21% (22%)	53% (52%)	12% (11%)
Pension products set up in 1995 or later including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Personal Pension 2000 • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Buy Out Plan • Trustee Investment Plan (TIP) 	16% (16%)	23% (24%)	48% (47%)	13% (13%)
Personal Retirement Plan (PRP)	16% (16%)	23% (24%)	48% (47%)	13% (13%)
Conventional Buy Out Plan	16% (16%)	23% (24%)	48% (47%)	13% (13%)
With Profits Annuity*	21% (22%)	32% (33%)	30% (28%)	17% (17%)

* The asset mixes for these policies depend upon the product type held and the date the investment was made. The figures shown are averages for all types and dates.

All asset mixes shown are as at 31 December 2015 and will vary over time as investment conditions and other factors influencing the appropriate mix for each product group change.

INVESTMENT RETURNS.

The overall investment returns over each of the last five years on the assets applicable to with profits policies eligible for bonuses were as follows:

YEAR	2011	2012	2013	2014	2015
Return (before tax)	2%	11%	9%	10%	3%
Return (after tax)	2%	9%	8%	8%	3%

Investment returns are rounded to the nearest percent.

We do not use the same investment returns to calculate bonuses for all with profits policies. When assessing appropriate levels of policy benefits, we took into account the investment returns shown below for the year 2015 derived from the asset mixes applied to the product groups.

INVESTMENT RETURNS BY PRODUCT GROUP.

Please note, the figures shown in brackets are the investment returns at the end of 2014.

LIFE POLICIES

PRODUCT	INVESTMENT RETURN
CAPITAL CONTROL BONDS	
Capital Control Growth Bond (investments between March 2010 and March 2012)	3% (8%)
Capital Control Income Bond (investments between March 2010 and March 2012)	3% (9%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS	
Capital Protection Growth Bond (investments between May and December 2008)	3% (8%)
Capital Protection Income Bond (investments between May and December 2008)	3% (9%)
Capital Protection Growth Bond (investments between January 2009 and June 2010)	3% (8%)
Capital Protection Income Bond (investments between January 2009 and June 2010)	3% (9%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	3% (8%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	2% (9%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	2% (9%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	2% (10%)
OTHER WITH PROFITS BONDS	
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	3% (8%)

LIFE POLICIES (CONTINUED)

PRODUCT	INVESTMENT RETURN
<ul style="list-style-type: none"> • Other Income Bonds (investments between April 2002 and December 2014) • Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later) 	3% (9%)
<ul style="list-style-type: none"> • All other With Profits Growth Bonds (August 1999 and December 2014) 	3% (8%)
<ul style="list-style-type: none"> • With Profits Income Bonds (March 2002 and earlier investments) 	3% (8%)
ENDOWMENTS AND SAVINGS PLANS	
Unitised life policies including: <ul style="list-style-type: none"> • Capital Investment Portfolio • Flexible Investment Plan • Flexible Mortgage Plan • Flexible Protection Plan • Unit Savings (Prospects and New Savings Plan) 	3% (8%)
Conventional life policies including: <ul style="list-style-type: none"> • Build Up • Cashbuilder • Endowment • Low Start Build Up • Progressive Build Up Plus • Progressive Flexible Build Up • Progressive Investment • Treasure Chest • Whole of Life Plan 	3% (7%)

PENSION POLICIES

PRODUCT	INVESTMENT RETURN
Adaptable Pension Plan with contractual annual interest (CAI)	3% (11%)
Pension products with CAI, set up in 1994 or earlier including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Buy Out Plan • Private Income Plan (PIPE) • Trustee Investment Plan (TIP) 	3% (10%)
Pension products set up in 1995 or later including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Personal Pension 2000 • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Buy Out Plan • Trustee Investment Plan (TIP) 	3% (10%)
Personal Retirement Plan (PRP)	3% (10%)
Conventional Buy Out Plan	3% (10%)
With Profits Annuity*	3% (9%)

* For policies in these groups, the investment return depends upon the product type held and the date the investment was made. The figures shown are averages for all types and dates.

Investment returns are rounded to the nearest percent.

All returns shown for life policies are after tax payable by Legal & General and before we have taken off investment expenses and any policy charges.

All returns shown for pension policies are before tax, investment expenses and any policy charges.

THE INVESTMENTS AND LIABILITIES OF THE WITH PROFITS SUB FUND.

At the end of 2015, the investments and liabilities were as follows:

INVESTMENTS AND LIABILITIES	£bn
Total admissible investments	20.48
Assets supporting non-profit business	-9.46
Remainder	10.98
Excess admissible investments and future profits on non-participating with profits business	0.38
Available investments	11.37
Participating with profits plan liabilities	10.77
Difference (Inherited estate)	0.59

BONUS DECLARATION DATES.

From February 2009 to February 2016 bonus declaration dates were as follows:

18 February 2016
19 February 2015
20 February 2014
30 May 2013**
21 February 2013
16 February 2012
17 February 2011
18 February 2010
19 February 2009

**Increase in final bonus.

CONTRACTUAL MINIMUM ADDITION.

On some types of life and pension policies we add a contractual minimum addition (CMA) at the end of each year. This increases the value of your policy each year by a guaranteed amount.

To see if your policy is eligible for a contractual minimum addition, please refer to your annual bonus statement.

Historic rates of contractual minimum addition (CMA) are:

YEAR	2011	2012	2013	2014	2015	2016
CMA (Life) (%)	1.20	0.95	0.75	1.05	0.90	0.75%
CMA (Pensions) (%)	1.50	1.15	0.90	1.30	1.10	0.95%

MARKET VALUE REDUCTION FACTORS.

A market value reduction (MVR) is an adjustment we may apply to money taken out of with profits in certain circumstances to make sure that everyone gets their fair share of the assets backing a with profits investment.

The range of market value reduction factors which were applied from 2011 to 2016 were as set out in the table below. As an example, where the MVR range is 97% to 100%, this means that a reduction of up to 3% could have applied.

YEAR	2011	2012	2013	2014	2015	2016*
Pensions (%)	91 to 100	91 to 100	97 to 100	95 to 100	95 to 100	95 to 100
Income bonds (%)	84 to 100	84 to 100	86 to 100	90 to 100	92 to 100	90 to 100
Growth bonds (%)	90 to 100	90 to 100	95 to 100	98 to 100	96 to 100	94 to 100
Regular premium life (%)	91 to 100	92 to 100	100	100	99 to 100	96 to 100

*MVRs correct as at 18 February 2016, MVRs can change at any time without notice. For more information, please read our factsheet on understanding MVRs.

REVIEW OF OUR BONUS DECLARATION.

The bonus declaration has been reviewed by Milliman acting as the independent person. In Milliman's judgement, the 18 February 2016 bonus declaration, and the process by which it was reached, comply with Legal & General's Principles and Practices of Financial Management (PPFM). In carrying out this review, Milliman relied on the accuracy and completeness of the information supplied to it by Legal & General.

Every year in June the Board of Directors will report to with profits policyholders on compliance with our Principles and Practices of Financial Management (PPFM) for the period 1 January to 31 December.

The latest version of the Board Report on Compliance is available on our website at www.legalandgeneral.com/with-profits

You can also download a copy of our updated PPFM from our website now at www.legalandgeneral.com/with-profits

INVESTMENT MANAGEMENT REVIEW.

The majority of our with profits investments are managed by Legal & General Investment Management Limited (LGIM). To help us maintain investment flexibility we have the discretion in certain circumstances to appoint different investment managers for all or part of our with profits investments. We regularly review the performance of all assets, both externally placed and with LGIM, to ensure they are invested in the best interests of policyholders.

HOW DO I FIND OUT MORE?



For information

You can find more information in your policy documents.



General information on with profits is available at www.legalandgeneral.com/with-profits

We also have booklets called 'An Introduction to Unitised With Profits' and 'An Introduction to Conventional With Profits' which have further information on how your policy works.

These are available on our website at www.legalandgeneral.com/bonus-declaration or on request.

For advice

If you'd like advice, please speak to your financial adviser. If you don't have an adviser, you can find one locally by visiting www.unbiased.co.uk

For service

For all general queries please call us on the number shown on the letter that came with your statement.

Call charges will vary. We may record and monitor calls.

CONTACT US

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We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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